



# **ECONOMIC BENEFITS OF MONTANA DEPARTMENT OF COMMERCE HOUSING PROGRAM ACTIVITIES**

Prepared by



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# **ECONOMIC BENEFITS OF MONTANA DEPARTMENT OF COMMERCE HOUSING PROGRAM ACTIVITIES**

## **OVERVIEW**

The availability of reasonable cost housing for lower income families is a persistent problem in Montana. According to the American Community Survey<sup>1</sup>, Montana ranked 42<sup>nd</sup> in median household income in 2005 and 42<sup>nd</sup> in per capita income, and 14.4% of Montana families were in poverty in 2005. Meanwhile Montana housing prices have risen 258 percent since 1980 and have increased more than 12 percent during the past year<sup>2</sup>. Median home prices in Montana in 2003 were \$118,000 according to the U.S. Census Department. The substantial increases in home prices have made it increasingly difficult for low and moderate-income families to purchase homes. These categories of families are a large part of the focus of the housing programs undertaken by the Montana Department of Commerce (MDOC).

In most counties in Montana, a family of four is defined as low-income if its income falls below \$37,100 annually; very low-income if its income is below \$23,200 and extremely low-income if it is below \$13,900<sup>3</sup>. Without the housing assistance programs overseen by the MDOC, many families would be unable to secure decent affordable housing. For example, during state fiscal year 2006, the Montana Board of Housing provided bond funding for 199 new single-family mortgages and helped to provide bond funds for an additional 1,300 existing units for low-income families<sup>4</sup>. These and other MDOC housing programs have directly contributed to improving the lives of many Montana families.

To fully assess the effectiveness of these programs on Montana's citizens, families, and economy, this study examines all of the related economic impacts of the program expenditures as they move through the economy. Unless otherwise specified, Year refers to the state fiscal year (July 1 – June 30). One caution: the cost of providing and overseeing these programs has not been deducted from the benefits in this report.

The Montana Department of Commerce housing programs include the:

1. Homeownership Loan Program
2. Multi-family Housing Rental Program
3. Low Income Housing Tax Credit

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<sup>1</sup> U.S. Census Bureau, American Community Survey.

<sup>2</sup> Office of Federal Housing Enterprise Oversight.

<sup>3</sup> Montana Department of Commerce Annual Income Limits- Section 8;  
<http://housing.mt.gov/includes/s8/05incomelimits.pdf>

<sup>4</sup> Montana Board of Housing Annual Report FY 2006

4. HUD Rental Assistance Programs
5. HOME Investment Partnerships Program
6. Community Development Block Grant Funding for Housing

These programs provide visible benefits to communities throughout the state in funding for rehabilitation and new construction of low-income housing and for rental assistance. During the construction phase, people within the community are aware of the direct economic impacts in terms of construction jobs and spending. They can easily understand the improvement that better housing has on a family. What they are less aware of is the ripple effect that the expenditures have within their communities and the number of businesses and jobs that are supported. Even less visible is the amount of economic activity generated by low-income housing assistance. The increased consumer spending which results from the rental cost reduction benefits a wide variety of businesses throughout the community.

In order to accurately assess the effectiveness of the programs administered by the MDOC, an assessment of the overall economic benefits was undertaken. This study uses a type of economic modeling called “input output analysis” to capture the impacts on all parts of the economy when spending is increased in one area or industry. The effects of the expenditures can be separated into three types:

Direct: “Direct effects” impact businesses that are primarily involved in housing transactions such as construction firms, real estate agents, title companies, appraisal services and insurance firms. In this case, the direct effects are equal to the level of program expenditures.

Indirect: “Indirect effects” occur when direct businesses purchase more services or goods from other non-housing-related businesses. An example of this would be appraisal firms purchasing more advertising as a result of their higher profit levels. The advertising firm is not a direct housing-related business but it now has higher sales as well. Therefore, the purchase of additional goods and services from other types of businesses generates the indirect effects.

Induced: “Induced effects” result from increased spending by workers and owners of both direct and indirect businesses. As the businesses generate more profit, salaries increase or more workers are hired. These workers now spend more in the surrounding community. Purchases of consumer goods, such as cars, videos, appliances, apparel or other consumer items, increase.

The three types of effects are combined to determine the overall economic impact that occurs in an area or industry. In the case of housing programs, there may be construction-related impacts and impacts from freeing up a portion of a consumer’s budget to spend on other items.

The impact on the state’s economy can be viewed from two perspectives: economic activity in terms of goods and services sold and the number of jobs created or

maintained. Table 1<sup>5</sup> summarizes the amount of economic activity attributed annually to MDOC housing programs, as well as the cumulative effects during the past 10 years.

**TABLE 1**  
**Annual Economic Activity due to MDOC**  
**Housing Programs Expenditures**

Year	Direct Program Expenditures	Indirect Effect	Induced Effect	Total Economic Impact
1997	\$ 116,276,890	\$ 21,339,553	\$ 29,544,021	\$ 167,160,464
1998	\$ 113,592,486	\$ 20,903,399	\$ 28,987,146	\$ 163,483,031
1999	\$ 121,615,443	\$ 22,433,224	\$ 31,085,316	\$ 175,133,983
2000	\$ 159,219,980	\$ 29,635,584	\$ 40,450,252	\$ 229,305,816
2001	\$ 145,022,350	\$ 26,793,724	\$ 36,625,826	\$ 208,441,901
2002	\$ 184,178,936	\$ 33,850,497	\$ 46,356,445	\$ 264,385,878
2003	\$ 139,751,783	\$ 25,194,007	\$ 34,910,353	\$ 199,856,142
2004	\$ 215,224,113	\$ 39,449,968	\$ 54,080,177	\$ 308,754,258
2005	\$ 219,972,789	\$ 40,300,317	\$ 55,191,439	\$ 315,464,545
2006	\$ 221,107,270	\$ 40,632,726	\$ 55,570,883	\$ 317,310,879
<b>10 Year Total</b>	<b>\$1,635,962,040</b>	<b>\$300,532,999</b>	<b>\$412,801,858</b>	<b>\$2,349,296,897</b>

As Table 1 indicates, housing programs were responsible for a total of \$317 million of economic activity within the state during 2006. To put that in perspective, for every dollar directly expended in housing program funds, another 18 cents<sup>6</sup> was generated in businesses not directly related to housing (indirect) and an additional 30 cents was earned by businesses that provide goods and services usually purchased by consumers (induced). In other words, every time a program expended a dollar, it generated another 48 cents of economic activity in the state's economy.

The impact on jobs within the state is also more significant than many realize. As program funds are spent, jobs are created or maintained in direct housing-related businesses. Jobs are also created in other businesses that provide business goods and services and those that provide consumer goods and services. Jobs that accrued in industries directly affected by housing program fund expenditures are listed in Table 2 under the **Direct Jobs** column. During 2006, these expenditures accounted for 3,486 full time equivalent jobs in Montana.

Indirect effects include jobs created or sustained in industries that do business with direct housing-related industries while induced jobs are generated from increased spending of incomes by workers, families and business owners. Table 2 indicates that 632 indirect jobs and 914 induced jobs were created during 2006. **Indirect jobs** could

<sup>5</sup> Tables may not add due to rounding.

<sup>6</sup> Results were calculated by taking the amount of indirect benefits (\$35,513,627) and dividing by direct benefits (\$195,038,185) yielding \$0.18. Similar calculations were performed for induced benefits.

be jobs in insurance, computer related services, business support services, wholesale trade, banking or other similar industries. **Induced jobs** could be in any industry that provides consumer goods or services such as performing arts, health care, education, retail sales, or food service establishments. MDOC Housing programs were responsible for creating or maintaining 5,031 full time equivalent jobs in 2006.

**TABLE 2**  
**Jobs Created or Maintained by MDOC**  
**Housing Program Expenditures**

Year	Direct Jobs	Indirect Jobs	Induced Jobs	Total Jobs
1997	1,873	336	486	2,694
1998	1,836	332	477	2,645
1999	1,982	356	512	2,849
2000	2,609	460	668	3,737
2001	2,321	417	603	3,342
2002	2,916	527	762	4,205
2003	2,129	395	570	3,095
2004	3,392	613	889	4,893
2005	3,466	623	907	4,996
2006	3,486	632	914	5,031
<b>10 Year Total</b>	<b>26,010</b>	<b>4,691</b>	<b>6,789</b>	<b>37,489</b>

For the period from 1997 to 2006, MDOC housing programs were responsible for over \$2.3 billion of economic activity within the state. This represents a 48-cent addition to each initial dollar spent by the funding agency. Additionally, these expenditures were responsible for creating or maintaining over 37,000 jobs during the ten-year period.

## Methodology Used in the Study

In order to more accurately assess economic impacts, it is important to understand the flow of funds between businesses in different industries and consumers. Input output models are an economic tool which model these interactions in the economy through sets of mathematical equations. Input output models account for flows of commodities (or products) from producers to intermediate and final consumers or purchasers. Input output models provide the most accurate assessment of the full effects of changes in an industry or sector on the economy. Industries produce goods and services in response to demand for them. In turn, these industries buy goods or services from other businesses needed to produce their product.

For example, as the demand for furniture increases, furniture manufacturers need to buy more wood, more nails or screws, more sanders, and more stain or varnish from companies that produce these items. The increased demand for furniture generates increased demand for other inputs used in the production of furniture. The interactions between industries that produce furniture and those that supply inputs to furniture manufacturers are referred to as **direct effects**.



In addition to these effects, other businesses are impacted proportionately. As the furniture manufacturers begin to have higher sales, they incur a greater need for accounting services, garbage removal, vehicles, and advertising services. The businesses that supply these other types of goods and services are indirectly impacted by the increased demand for furniture. As the demand for the goods and services of these unrelated businesses rises, companies make larger profits and employ more workers thus generating an **indirect effect**.

The third type of effect that is accounted for is referred to as the **induced effect**. Induced effects occur as a result of increased spending by owners and stockholders of businesses and by the workers receiving larger paychecks. This additional spending by consumers can be for any type of good or service from gasoline to video rentals. The induced spending, in turn, creates additional demand for other goods and services that increases economic activity and generates jobs.

This study uses a regional input output model called IMPLAN<sup>7</sup>, which models the relationships between businesses and consumers to account for the direct, indirect and induced effects that occur. The model can be used to estimate the impacts on state and local governments' additional taxes collected as a result of an increase in demand. The tax impacts can be aggregated into those paid by households and corporations and indirect business taxes. Household expenditures on state and local taxes include income taxes, estate and gift tax, motor vehicle licenses, personal property taxes, fines, fees and licenses. Corporate taxes include taxes on corporate profits and dividends. Indirect business taxes include motor vehicle licenses, severance taxes, property and other taxes. Indirect business property taxes include real estate property taxes paid by households since households are treated as an industry sector for this component. For programs that are loans, rental subsidies and grants, it is difficult to determine what types of tax impacts might occur so they are not estimated in this study, with the exception of the Homeownership Loan and Low Income Housing Tax Credit Programs.

## MONTANA BOARD OF HOUSING

Montana Board of Housing (MBOH) program funds are generated through the issuance of tax-exempt bonds and from administrative fees received. No state funds are allocated to operate the program. The MBOH operates a number of programs that assist low-income and moderate-income families and support the goal of providing affordable housing within the state. Low-to-moderate-income guidelines cover families making 115 to 120% of median household income for Montana. These programs have economic benefits far in excess of the dollars being spent directly. The following sections discuss the programs separately and assess economic impact on the state. Local communities also benefit depending upon the availability of goods and services within each community; however, benefits at the county or local level have not been addressed specifically in this report.

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<sup>7</sup> Minnesota IMPLAN Group, Inc., IMPLAN System

## Homeownership Loan Program

The purpose of the Homeownership Program is to assist low and moderate-income Montanans in purchasing homes in the State of Montana. The MBOH issues tax-exempt Mortgage Revenue Bonds to provide below-market rate funds to either purchase existing housing or construct new housing. Targeted populations include first time homebuyers, disabled individuals, and low-to-moderate-income groups in specific areas. Income and purchase price limits are determined annually for areas within Montana. Purchase price limits for single-family homes for 2006 were \$200,160 for existing construction and \$237,031 for new construction. Without this program, many households would not have been able to purchase a home. Mortgage interest rates in the 5.6 to 5.8 percent range beginning in 2004 allowed far more families to qualify for conventional financing than typically would be the case. Rising interest rates will lead to an increase in usage of these programs in future periods.

Providing mortgage funding through the MBOH has substantial economic benefits over and above the actual level of program expenditures. Businesses that interact with the housing industry but are not housing-related receive the indirect benefits while businesses that consumers purchase from accrue the induced benefits. Table 3 summarizes the economic effects of the single-family loan programs over the past 10 years. The analysis shows that for every dollar spent on MBOH expenditures for single-family loans, \$1.44<sup>8</sup> was generated in local communities<sup>9</sup>.

**TABLE 3**  
**Economic Impact of MBOH**  
**Homeownership Loan Program Expenditures**

Year	Direct Program Expenditures	Indirect Effect	Induced Effect	Total Economic Impact
1997	\$ 91,830,894	\$ 17,442,462	\$ 23,409,393	\$ 132,682,749
1998	\$ 81,324,718	\$ 15,446,907	\$ 20,731,174	\$ 117,502,799
1999	\$ 94,179,201	\$ 17,888,502	\$ 24,008,020	\$ 136,075,722
2000	\$ 130,914,537	\$ 24,866,052	\$ 33,372,536	\$ 189,153,125
2001	\$ 104,906,838	\$ 19,926,121	\$ 26,742,693	\$ 151,575,652
2002	\$ 132,576,965	\$ 25,181,816	\$ 33,796,319	\$ 191,555,100
2003	\$ 84,853,807	\$ 16,117,226	\$ 21,630,804	\$ 122,601,837
2004	\$ 155,568,139	\$ 29,548,785	\$ 39,657,195	\$ 224,774,119
2005	\$ 164,367,381	\$ 31,220,123	\$ 41,900,284	\$ 237,487,788
2006	\$ 156,032,845	\$ 29,637,052	\$ 39,775,657	\$ 225,445,554
<b>10 Year Total</b>	<b>\$1,196,555,325</b>	<b>\$ 227,275,046</b>	<b>\$ 305,024,075</b>	<b>\$1,728,854,445</b>

Source for program expenditures: MBOH data

<sup>8</sup> Total Economic Impact (\$1,728,854,445) divided by Direct Program Expenditures (\$1,196,555,325) equals \$1.44.

<sup>9</sup> All of the effects will accrue to the local community if the products, services and consumer goods are purchased in the state or local community. If some of the items are purchased outside of the state of Montana then the overall effects will not be as strong.

This increase in demand for goods and services from local businesses increased the number of jobs within those communities. When looking at job creation and maintenance, there were direct, indirect and induced effects. The impacts on employment are based on full time equivalent positions. The IMPLAN model assumes an average earning level per job in Montana of \$41,455. In state fiscal year 2006, the single-family loan program supported 2,650 jobs in housing-related businesses and was responsible for supporting or creating another job in other types of businesses, for a total of 3,764 full time equivalent jobs within the state. Table 4 summarizes the impact on the labor market that occurred as a result of the MBOH single-family loan program for the period 1997 through 2006. The cumulative effects of the 10 years worth of spending have supported almost 29,000 jobs in the state.

**TABLE 4**  
**Jobs Created or Maintained as a Result of MBOH**  
**Homeownership Loan Program Expenditures**

Year	Direct Jobs	Indirect Jobs	Induced Jobs	Total Jobs
1997	1,560	266	389	2,215
1998	1,381	236	345	1,962
1999	1,600	273	399	2,272
2000	2,223	379	555	3,158
2001	1,782	304	445	2,531
2002	2,252	384	562	3,198
2003	1,441	246	360	2,047
2004	2,642	451	660	3,753
2005	2,792	476	697	3,965
2006	2,650	452	662	3,764
<b>10 Year Total</b>	<b>20,322</b>	<b>3,467</b>	<b>5,075</b>	<b>28,864</b>

Another benefit that occurs as a result of the single-family loan program is the increased level of tax collections by both state and local governments. Although it is assumed that property tax collections rise as new property is added to the tax roles, the fact that other tax collections also rise is often overlooked. Table 5 summarizes the increase in tax collections that occur over time as a result of the MBOH single-family program expenditures. In 2006, the tax increases totaling nearly \$22 million for state and local entities resulted from \$156 million in program expenditures. This translates into an increase of \$0.14 in additional revenue to state or local governments for every dollar expended by the single-family program.<sup>10</sup> Over the previous 10-year period, the increase in tax collections attributed to this program totals more than \$166 million.

<sup>10</sup> Calculated by taking the total state and local taxes divided by direct program expenditures in Table 3.

**TABLE 5**  
**Tax Benefits of MBOH Homeownership Loan Program Expenditures to**  
**State and Local Governments**

Year	Sources of Taxes		Indirect Business Taxes	Total State / Local Taxes
	Households	Corporations		
1997	\$ 778,712	\$ 582,522	\$ 11,454,049	\$ 12,815,283
1998	\$ 689,621	\$ 515,877	\$ 10,143,616	\$ 11,349,114
1999	\$ 798,625	\$ 597,418	\$ 11,746,953	\$ 13,142,996
2000	\$ 1,110,135	\$ 830,445	\$ 16,328,944	\$ 18,269,525
2001	\$ 889,594	\$ 665,468	\$ 13,085,009	\$ 14,640,071
2002	\$ 1,124,233	\$ 840,991	\$ 16,536,299	\$ 18,501,524
2003	\$ 719,547	\$ 538,263	\$ 10,583,799	\$ 11,841,609
2004	\$ 1,319,194	\$ 986,834	\$ 19,403,983	\$ 21,710,011
2005	\$ 1,393,810	\$ 1,042,651	\$ 20,501,511	\$ 22,937,972
2006	\$ 1,323,135	\$ 989,781	\$ 19,461,946	\$ 21,774,862
<b>10 Year Total</b>	<b>\$10,146,608</b>	<b>\$7,590,249</b>	<b>\$149,246,108</b>	<b>\$166,982,965</b>

Income tax payments by households will increase as a result of increased wages or increased workers. As income levels rise, households will purchase vehicles, which generate more motor vehicle tax dollars. Funds will accrue to state and local governments from greater numbers of hunting and fishing licenses sold, fuel taxes paid, and other fines and fees paid. Increased sales by both direct and indirect businesses will lead to increased profitability. Businesses will pay higher corporate taxes and dividends due to the increased profits. In addition to corporate income taxes and dividends, spending on business property will increase as well. This additional spending generates taxes associated with motor vehicles and severance (those taxes associated with non-renewable resources). The additional spending related tax revenues are listed as indirect business taxes in Table 5. Real estate property taxes paid by households also show up under this category since the model treats households as an industry for non-personal property tax purposes.

### **Low Income Housing Tax Credit**

The Low Income Housing Tax Credit (LIHTC) Program allows qualified developers and owners of qualified housing to receive an annual federal tax credit for 10 years based on the number of housing units provided for low-income families. The MBOH typically has \$2 million in LIHTC to allocate on an annual basis. By providing this tax credit, dollars are generated as direct investment into affordable rental housing projects, reducing the owners' debt by reducing the loan and allowing for lower rents. This investment helps pay for construction materials and wages for workers. It should be noted that because the tax credits are marketable, they may be sold to investors outside of Montana. The direct benefit, through dollars infused into construction, increases economic growth and housing in Montana. Because of their multi-year span, the benefits from the tax credit will continue to accrue through the economy for 10 years.

The tax credit will generate direct, indirect and induced effects within the economy. The direct effect will be equal to the monies retained by the businesses that receive the tax credit. These are retained earnings that the business can now spend on other profit generating activities. Additionally, many businesses that do not need ten years worth of tax credits may sell these to other businesses that do need them. The amounts paid for the tax credits are reflected as the market value of LIHTC in Table 6. The sale of the credits provides an important stream of income to businesses that can be used to help finance other activities within the business. The indirect effects will result from higher demand for other business goods and services as the higher profits are spent. The ripple effect of the higher spending will be reflected in greater demand for goods and services requiring more workers. Increased incomes of workers and business owners will be spent on consumer items in the economy generating induced effects throughout many sectors.

Every dollar in tax returned through the low-income housing tax credit generates an additional 45 cents worth of income and spending in the state economy<sup>11</sup>. This benefits low-income families as well as businesses throughout the economy. Table 6 summarizes the economic effect of the tax credit program.

**TABLE 6**  
**Economic Impact of MBOH**  
**Low Income Housing Tax Credit Program Expenditures**

Year	Direct Program Expenditures	Market Value of LIHTC	Indirect Effect	Induced Effect	Total Economic Impact	Additional Taxes Generated
1997	\$ 794,218	\$ 5,162,417	\$ 1,169,913	\$ 1,548,795	\$ 8,675,343	\$ 1,176,779
1998	\$ 1,624,095	\$ 11,043,846	\$ 2,488,047	\$ 3,293,812	\$ 18,449,801	\$ 2,502,649
1999	\$ 1,247,894	\$ 8,735,258	\$ 1,960,741	\$ 2,595,736	\$ 14,539,629	\$ 1,972,248
2000	\$ 1,138,372	\$ 8,310,116	\$ 1,855,731	\$ 2,456,717	\$ 13,760,936	\$ 1,866,621
2001	\$ 2,067,516	\$ 15,092,867	\$ 3,370,386	\$ 4,461,900	\$ 24,992,669	\$ 3,390,165
2002	\$ 2,438,038	\$ 17,797,677	\$ 3,974,396	\$ 5,261,522	\$ 29,471,633	\$ 3,997,720
2003	\$ 2,030,000	\$ 16,240,000	\$ 3,588,320	\$ 4,750,413	\$ 26,608,733	\$ 3,609,378
2004	\$ 2,203,391	\$ 18,728,824	\$ 4,111,193	\$ 5,442,620	\$ 30,486,028	\$ 4,135,319
2005	\$ 1,589,615	\$ 14,306,535	\$ 3,122,084	\$ 4,133,184	\$ 23,151,418	\$ 3,140,406
2006	\$ 2,896,565	\$ 26,069,085	\$ 5,689,000	\$ 7,531,407	\$ 42,186,057	\$ 5,722,386
<b>10 Year Total</b>	<b>\$ 18,029,704</b>	<b>\$ 141,486,625</b>	<b>\$ 31,329,811</b>	<b>\$ 41,476,106</b>	<b>\$ 232,322,247</b>	<b>\$ 31,513,670</b>

Source for program expenditures and market values: MBOH data

Another aspect of this tax credit program is that it actually generates additional state and local tax revenues as a result of the higher levels of purchases, wages and spending. Additional state and local government tax revenues are summarized in the right hand column in Table 6. On an annual basis, more than \$5.7 million of additional taxes were estimated to be attributable to the increased spending by this program.

<sup>11</sup> Total Economic Impact (10 Year Total) divided by Direct Effect (10 Year Total) will yield the multiplier of 1.45.

The tax credit program also has employment impacts in terms of creating or sustaining jobs. The employment effects are summarized in Table 7. As noted earlier, job numbers are in full time equivalents. Over the period since 1997, the low-income housing tax credit program is responsible for 3,860 jobs within the state's economy, not including any workers required to administer the program.

**TABLE 7**  
**Jobs Created or Maintained as a Result of the MBOH**  
**Low Income Housing Tax Credit Program Expenditures**

Year	Direct Jobs	Indirect Jobs	Induced Jobs	Total Jobs
1997	99	19	26	144
1998	211	41	55	307
1999	166	33	43	242
2000	157	31	41	229
2001	285	56	74	415
2002	336	66	87	490
2003	304	60	79	442
2004	348	68	90	505
2005	264	52	69	385
2006	481	95	125	701
<b>10 Year Total</b>	<b>2,651</b>	<b>521</b>	<b>689</b>	<b>3,860</b>

### **General Obligation Multi-Family Housing Rental Program**

In 2005-2006, the MBOH issued 4% tax credits to assist with a project in Yellowstone County to rehabilitate 112 units, with a project value of \$6.7 million. Additionally, two projects for senior housing with a value of \$6.4 million were facilitated.

## **OTHER HOUSING RELATED PROGRAMS**

The Montana Department of Commerce administers other programs that are separate from the Montana Board of Housing programs. These include programs that are funded with federal dollars but administered by MDOC. Under the direction of MDOC, these programs provide substantial economic benefits to families, communities and the state.

### **HUD Rental Assistance Programs**

Located in the MDOC Housing Division, the HUD Section 8 Low Income Rental Assistance Housing Programs include the Tenant Based Section 8 (voucher program) and the Montana Project Based Section 8 Contract Administration Program. The tenant based program assists low-income families throughout Montana by providing subsidy payments to property owners on behalf of program participants. This serves to increase the availability and quality of housing for low-income families. Families pay 30% of their

adjusted gross income towards rent and utilities. Current income limits can be found in the Section 8 documents on the MDOC website<sup>12</sup>.

In addition to assisting families through the tenant based program, MDOC also serves as the contract administrator for properties that HUD manages throughout the state. Again, tenants benefiting from this Section 8 program pay 30% of their incomes on rent, while HUD subsidizes the remaining rent payment. The agency performs property reviews and property management functions, interacting with landlords to ensure compliance. As the administrator, MDOC receives administration fees from HUD.

Providing reduced rents for low-income families has the effect of increasing their disposable income as they spend less on housing than would be the case without the program. This frees up dollars in their budget that can be spent on other types of goods and services. This in turn generates additional demand for products produced by a wide variety of businesses and supports jobs in many industries. Table 8 indicates that annually the Section 8 rental assistance program added between \$15 and \$16 million to the state's economy in recent years. When administrative fees and project based assistance are included, the direct effects rise to more than \$33 million per year. The overall impact becomes \$46 to \$47 million of additional economic activity within the state annually. This supports more than 511 jobs annually throughout the state as indicated in Table 9. Over the past 10 years, the Section 8 program has supported more than 3,623 jobs within the state.

**TABLE 8**  
**Economic Impact from MDOC**  
**Section 8 Rental Assistance Programs Expenditures**

Year	Tenant Based		Project Based Rental Assistance	Total Direct Effect	Indirect Effect	Induced Effect	Total Economic Impact
	Rental Assistance	Administrative Fees					
1997	\$ 13,371,833	\$ 1,335,017		\$ 14,706,850	\$ 2,008,723	\$ 3,621,602	\$ 20,337,175
1998	\$ 12,091,362	\$ 1,443,040		\$ 13,534,402	\$ 1,816,370	\$ 3,415,971	\$ 18,766,743
1999	\$ 11,151,131	\$ 1,517,044		\$ 12,668,175	\$ 1,675,128	\$ 3,261,797	\$ 17,605,101
2000	\$ 12,051,460	\$ 996,194		\$ 13,047,654	\$ 1,810,376	\$ 3,140,100	\$ 17,998,131
2001	\$ 12,511,783	\$ 943,291	\$ 4,701,837	\$ 18,156,911	\$ 2,585,839	\$ 4,198,079	\$ 24,940,829
2002	\$ 13,553,345	\$ 1,260,100	\$ 12,229,526	\$ 27,042,971	\$ 3,873,116	\$ 6,196,518	\$ 37,112,605
2003	\$ 15,869,136	\$ 1,469,288	\$ 14,080,552	\$ 31,418,976	\$ 4,499,057	\$ 7,201,265	\$ 43,119,298
2004	\$ 16,972,800	\$ 1,511,804	\$ 15,204,188	\$ 33,688,792	\$ 4,833,643	\$ 7,696,856	\$ 46,219,291
2005	\$ 16,755,720	\$ 1,416,775	\$ 16,355,703	\$ 34,528,198	\$ 4,974,014	\$ 7,837,222	\$ 47,339,435
2006	\$ 15,988,957	\$ 1,394,855	\$ 16,410,481	\$ 33,794,293	\$ 4,867,060	\$ 7,673,815	\$ 46,335,168
<b>10 Year Total</b>	<b>\$ 140,317,527</b>	<b>\$ 13,287,408</b>	<b>\$ 78,982,287</b>	<b>\$ 232,587,222</b>	<b>\$ 32,943,327</b>	<b>\$ 54,243,226</b>	<b>\$ 319,773,775</b>

Source for rental assistance and administrative fees: Housing and Urban Development data, MDOC.

<sup>12</sup> [http://housing.state.mt.us/Hous\\_S8\\_Apps.asp](http://housing.state.mt.us/Hous_S8_Apps.asp)

**TABLE 9**  
**Jobs Created or Maintained as a Result of MDOC**  
**Section 8 Rental Assistance Programs Expenditures**

Year	Direct Jobs	Indirect Jobs	Induced Jobs	Total Jobs
1997	150	39	55	244
1998	141	37	52	230
1999	135	36	49	221
2000	130	33	48	211
2001	173	44	64	280
2002	255	64	94	413
2003	296	74	110	480
2004	316	79	117	513
2005	322	80	119	522
2006	315	79	117	511
<b>10 Year Total</b>	<b>2,233</b>	<b>566</b>	<b>824</b>	<b>3,623</b>

### **Home Investment Partnerships (HOME) Program**

Also located within the MDOC Housing Division, the Home Investment Partnerships (HOME) Program provides grant funds to local government and community housing organizations to develop affordable housing for low-income households (i.e., households earning 80% or less of the area median income). The funds are awarded through competitive and noncompetitive processes to assist in constructing and rehabilitating single-family homes and rental units and providing rental assistance. The goal of the HOME program is to increase the supply of quality, affordable housing for very low and low-income households.

The economic benefits that accrue from this program initially affect construction-related businesses within the state and increase the available supply of affordable housing. The larger supply of affordable housing leads to lower housing costs, which in turn benefits households by allowing them to spend a smaller portion of their budget on housing. This budget savings becomes a portion of the induced effect as households have more disposable income to spend on other consumer goods.



**TABLE 10**  
**Economic Impact from MDOC**  
**HOME Program Grant Expenditures**

Year	Direct Grant Expenditures	Indirect Effect	Induced Effect	Total Economic Impact
1997	\$ 1,784,485	\$ 338,947	\$ 454,898	\$ 2,578,330
1998	\$ 4,467,988	\$ 848,655	\$ 1,138,973	\$ 6,455,615
1999	\$ 2,712,489	\$ 515,213	\$ 691,464	\$ 3,919,166
2000	\$ 4,093,422	\$ 777,509	\$ 1,043,489	\$ 5,914,420
2001	\$ 3,522,187	\$ 669,008	\$ 897,871	\$ 5,089,066
2002	\$ 2,993,468	\$ 568,583	\$ 763,090	\$ 4,325,141
2003	\$ 3,722,376	\$ 707,032	\$ 948,902	\$ 5,378,311
2004	\$ 5,034,967	\$ 956,347	\$ 1,283,506	\$ 7,274,820
2005	\$ 4,356,560	\$ 827,490	\$ 1,110,568	\$ 6,294,618
2006	\$ 1,296,468	\$ 246,253	\$ 330,494	\$ 1,873,214
<b>10 Year Total</b>	<b>\$33,984,410</b>	<b>\$ 6,455,037</b>	<b>\$ 8,663,254</b>	<b>\$49,102,701</b>

*Source for grant funds: MDOC data*

*Year corresponds to program year, April 1 – March 31.*

The direct employment effects from the HOME Program are associated with construction-related businesses that undertake new construction or rehabilitation of structures. The portion of funds that are directed to homebuyer assistance benefit housing-related businesses that participate in the transfer of properties.

**TABLE 11**  
**Jobs Created or Maintained as a Result of MDOC**  
**HOME Program Grant Expenditures**

Year	Direct Jobs	Indirect Jobs	Induced Jobs	Total Jobs
1997	30	5	8	43
1998	76	13	19	108
1999	46	8	12	65
2000	70	12	17	99
2001	60	10	15	85
2002	51	9	13	72
2003	63	11	16	90
2004	85	15	21	121
2005	74	13	18	105
2006	22	4	5	31
<b>10 Year Total</b>	<b>577</b>	<b>98</b>	<b>144</b>	<b>820</b>

### Community Development Block Grant (CDBG) Funds for Housing

The state CDBG Program assists communities with populations under 50,000. Allocations are established for each state based on a statutory formula. The MDOC

Community Development Division administers the state CDBG Program. Since 1982, Montana has received over \$166 million in CDBG funds, providing millions of dollars of construction activity and creating jobs for Montanans across the state.

The MDOC CDBG website includes a summary of all the applications submitted to and funded by the CDBG program<sup>13</sup>. The economic benefits evaluated in this report are related to the rehabilitation and improvement of existing rental housing and the construction of new low-income housing.

Table 12 illustrates that the expenditure of funds by housing-related businesses has a significant impact on the entire business community. For every dollar spent directly on rehabilitation or construction, an additional 19 cents is spent on non-housing-related businesses (indirect effects) while an additional 25 cents is spent by consumers on all other types of consumer goods (induced effects).

**TABLE 12**  
**Economic Impact from MDOC**  
**CDBG Housing Grant Expenditures**

Year	Direct Grant Expenditures	Indirect Effect	Induced Effect	Total Economic Impact
1997	\$ 1,998,026	\$ 379,507	\$ 509,334	\$ 2,886,867
1998	\$ 1,597,437	\$ 303,419	\$ 407,216	\$ 2,308,072
1999	\$ 2,072,426	\$ 393,639	\$ 528,300	\$ 2,994,365
2000	\$ 1,715,879	\$ 325,916	\$ 437,409	\$ 2,479,204
2001	\$ 1,276,031	\$ 242,371	\$ 325,284	\$ 1,843,686
2002	\$ 1,329,817	\$ 252,587	\$ 338,995	\$ 1,921,399
2003	\$ 1,486,624	\$ 282,371	\$ 378,968	\$ 2,147,963
2004	\$ 0	\$ 0	\$ 0	\$ 0
2005	\$ 824,500	\$ 156,606	\$ 210,180	\$ 1,191,287
2006	\$ 1,018,014	\$ 193,363	\$ 259,511	\$ 1,470,887
<b>10 Year Total</b>	<b>\$13,318,754</b>	<b>\$ 2,529,779</b>	<b>\$ 3,395,197</b>	<b>\$19,243,730</b>

Source: MDOC CDBG Grants Awarded

Note: CDBG grant funds were allocated in a combined competition for 2002-2003.

Year corresponds to program year, April 1 – March 31.

Table 13 summarizes the impacts of the CDBG funds on employment within the state. The more than \$1 million expended in 2006 created or maintained 17 full time equivalent jobs in housing-related businesses. It was also responsible for three jobs in non-housing businesses and an additional four jobs in businesses from which consumers purchased products. During 2006, the CDBG funding supported almost 25 full time equivalent jobs within the state. Over the 10-year period from 1997 through 2006, 321 full time equivalent jobs were supported by these program expenditures. It is important to recall that many of these jobs are in small towns and rural communities.

<sup>13</sup> <http://www.mtfinanceonline.com/cdbg-house.html>

**TABLE 13**  
**Jobs Created or Maintained as a Result of MDOC**  
**CDBG Housing Grant Expenditures**

<b>Year</b>	<b>Direct Jobs</b>	<b>Indirect Jobs</b>	<b>Induced Jobs</b>	<b>Total Jobs</b>
<b>1997</b>	<b>34</b>	<b>6</b>	<b>8</b>	<b>48</b>
<b>1998</b>	<b>27</b>	<b>5</b>	<b>7</b>	<b>39</b>
<b>1999</b>	<b>35</b>	<b>6</b>	<b>9</b>	<b>50</b>
<b>2000</b>	<b>29</b>	<b>5</b>	<b>7</b>	<b>41</b>
<b>2001</b>	<b>22</b>	<b>4</b>	<b>5</b>	<b>31</b>
<b>2002</b>	<b>23</b>	<b>4</b>	<b>6</b>	<b>32</b>
<b>2003</b>	<b>25</b>	<b>4</b>	<b>6</b>	<b>36</b>
<b>2004</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2005</b>	<b>14</b>	<b>2</b>	<b>3</b>	<b>20</b>
<b>2006</b>	<b>17</b>	<b>3</b>	<b>4</b>	<b>25</b>
<b>10 Year Total</b>	<b>226</b>	<b>39</b>	<b>56</b>	<b>321</b>

## **SUMMARY**

It is clear that the MDOC housing programs have a significant impact on the lives of lower income families, first time homebuyers and the State of Montana. The programs make it possible for many families to achieve standards of living that would not be available otherwise.

It is also clear from the data provided that the benefits accrue to a much wider audience. Businesses of all types benefit from greater demand from other businesses for goods and services and higher spending by consumers as a result of increased disposable incomes. The employment situation also is directly affected by these expenditures as they support jobs in a wide variety of industries throughout the state such as auto repair, insurance agencies, telecommunications, legal services, and hotels and motels. During 2005 and 2006, housing program expenditures supported more than 10,000 full-time equivalent jobs in Montana (see Table 2). For the same time period, the expenditures of \$441 million generated more than \$191 million in additional goods and services being sold (see Table 1). For every dollar spent on the programs, another 48 cents of economic activity occurred.

These programs not only provide critical assistance to low-income households within our state, but help to provide jobs and demand for businesses as well. The program expenditures undertaken by the housing programs managed by the Montana Department of Commerce accumulate significant benefits for the citizens of the state, for both individual households and the economy in general.